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**Market Review**

Source: Zephyr Style Advisor

January 2022 was a challenging month and a reminder that market volatility is inevitable, even “normal.” Higher interest rates, ongoing supply constraints, and spiking Omicron infections led stock markets lower. The selloff was sharpest in the US (-5.2%) led by technology stocks that had benefited the most from ultra-low interest rates. The S&P 500 index recorded its worst performance since March 2020[[1]](#endnote-1). International stocks also fell, but not quite as much as the US market. There were some notable exceptions abroad: Latin America gained 7.4% and UK equities climbed 1%[[2]](#endnote-2). Overall, developed international markets were weaker (-4.8%) than emerging markets (-1.9%).

Most sectors in the US equity markets struggled, with the exception of energy (+19.1%). Energy stocks benefitted from rising crude oil prices. Six sectors fell more than 6% with consumer discretionary and real estate faring the worst. From a size perspective, larger stocks often considered more stable fared better than smaller vulnerable stocks for the month. From style perspective, value stocks that benefit from rising rates outperformed growth stocks, which struggle in rising interest rate environments.

The fixed income markets did not fare much better than equities in January. US bonds were down 2.2% for the month. All major sectors were negative, led by long treasuries (-4.1%). Record inflation sent longer term interest rates higher hurting bonds[[3]](#endnote-3). High yield bonds were surprisingly flat for the month despite equity market volatility. International (-2.0%) and emerging markets (-2.6%) bonds followed suit and were also hurt by a stronger dollar.

The broad commodity index was a bright spot for the month, returning 8.8%. Energy was the top performer in the index and was up 22.0%. Oil prices reached highs it had not seen since October of 2014[[4]](#endnote-4). Gold (-1.9%) and silver (-4.1%) were both down for the month. REITs, a top performer in 2021, was down for -7.9% in January, and was the worst performing among all major asset class. The US dollar had a bullish start to 2022 and was up 0.9% in January.

Relative to a globally balanced (60/40) equity/bond index, allocations to commodities and global bonds helped while global equites, US REITs and gold hurt for the month.

Source: Zephyr Style Advisor

DEFINITIONS

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| **Asset Class** | **Index** | **Definition** | |
| US Equity | S&P 500 | measures the performance of 500 leading companies in the U.S. Constituents generally have a market-cap above $5 billion and represent approximately 80% of the investable market. | |
| Global Equity | MSCI ACWI | measures large- and mid-cap equity performance of developed and emerging markets. Represents approximately 85% of the global equity investment universe. | |
| International Developed Equity | MSCI EAFE | measures the equity performance of countries considered to represent developed markets, excluding the U.S. and Canada. | |
| Emerging Markets (EM) Equity | MSCI Emerging Markets | measures the equity market performance of countries considered to represent emerging markets. | |
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| US Equity | Nasdaq 100 | measures companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. | |
| Sector – Real Estate | S&P 500 Sector Real Estate | measures the performance of companies from the following industries: real estate management & development and REITS, excluding mortgage REITS. | |
| |  |  |  | | --- | --- | --- | | Global Fixed Income | Bloomberg Global Aggregate | measures the performance of global, investment-grade debt from 24 local currency markets. This benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. | | US Fixed Income | Bloomberg US Aggregate | measures the performance of USD-denominated, investment-grade, fixed-rate taxable bond market of SEC-registered securities. The index includes Treasury bonds, Government-related Corporate, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS sectors. | | US Long Treasuries | Bloomberg US Treasury Long | measures the performance of long-term US Treasury bonds, including all publicly issued securities that have a remaining maturity of ten or more years, are: non-convertible, denominated in US dollars, rated investment-grade, fixed-rate and have $250 or more of outstanding face value. | | US Investment Grade Credit | Bloomberg Barclays US Corporate | measures the performance of the investment-grade, fixed-rate, taxable corporate bond market. Includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers that meet specified maturity, liquidity and quality requirements. | | Emerging Markets Fixed Income | Bloomberg Emerging Markets USD Aggregate | measures the performance of hard-currency emerging markets debt including fixed and floating-rate USD-denominated debt issued from sovereign, quasi-sovereign, and corporate emerging markets debt. | | International Fixed Income | Bloomberg Global Aggregate ex-USD | measures the performance of investment-grade debt from 24 local currency markets. This multi-currency index includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. It excludes bonds issued in USD. | | Commodities | Bloomberg Commodity | measures the performance of a broadly diversified exposure to physical commodities via futures contracts. | | Gold | Bloomberg Sub Gold | measures the performance of futures contract on Gold and is quoted in USD. | | Silver | Bloomberg Silver Sub-index | is designed to measure the performance of silver as represented by the price of COMEX silver futures contracts. | | US REIT | FTSE NAREIT All Equity REITs | measures the performance of a comprehensive family of REIT indexes that spans the commercial real estate space across the US economy. The index series provides investors with exposure to all investment and property sectors. | | Sector - Energy | S&P 500 Sector Energy | measures the performance of companies involved in the development and production of crude oil, natural gas and provide drilling and other energy-related services. | | Sector - Consumer Discretionary | S&P 500 Sector Consumer Discretionary | measures the performance of companies involved in industries such as: automobiles and components, consumer durables, apparel, hotels, restaurants, leisure, media and retailing. | | Brazil | MSCI Brazil | is designed to measure the large and mid-cap segments of the Brazilian markets. With 56 constituents, the index covers approximately 86% of the free-float adjusted market capitalization in Brazil. | | Russia | MSCI Russia | is designed to measure the large and mid-cap segments of the Russian markets. With 23 constituents, the index covers approximately 85% of the free-float adjusted market capitalization in Russia. | | Regional - EM Latin America | MSCI EM Latin America | measures the performance of large- and mid-cap companies in five emerging-markets countries in Latin America. The index covers approximately 85% of the market cap in each country. | | Regional – UK | MSCI UK | measures the performance of the large and mid-cap segments of the UK equity market. | | US Growth | S&P 500 Growth | measures the performance of large-cap growth stocks in the U.S., which are identified by sales growth, price-to-earnings and momentum. Constituents generally have a market-cap above $5 billion. | | US Value | S&P 500 Value | measures the performance of value stocks in the U.S., which are identified by sales growth, price-to-earnings and momentum. Constituents generally have a market-cap above $5 billion. | | China | MSCI China | measures the performance of large and mid-cap shares in China including: China H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs). Index covers about 85% of the China equity universe. | | Global 60/40 Index Blend | 60% MSCI ACWI, 40% BBG Barclays Global Aggregate | measures the performance of a blend of global equities and global bond indexes used as a benchmark for balanced portfolios | | US Dollar | US Dollar Index | measures the value of the US dollar relative to the value of a 'basket' of currencies of the majority of the U.S.'s most significant trading partners. Factors the exchange rates of six major world currencies: euro, Japanese yen, Canadian dollar, British pound, Swedish krona and Swiss franc. | | | | |

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1. [Nasdaq narrowly misses worst January ever as Wall Street gains | Reuters](https://www.reuters.com/business/nasdaq-futures-edge-higher-end-turbulent-month-2022-01-31/) [↑](#endnote-ref-1)
2. <https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/insights/market-insights/mi-monthly-market-review.pdf> [↑](#endnote-ref-2)
3. [Stock volatility continues as Wall Street wraps up brutal January - The Washington Post](https://www.washingtonpost.com/business/2022/01/31/stock-markets-january-volatility-wall-street/) [↑](#endnote-ref-3)
4. [Oil posts biggest monthly gain in a year on tight supply, political tensions | Reuters](https://www.reuters.com/business/energy/oil-rises-hovers-near-7-year-highs-supply-fears-political-risks-2022-01-31/) [↑](#endnote-ref-4)